Constraints of Cooperative Banks in financing of IRDP

1962. SHRI RAOOF VALIULLAH: Will the PRIME MINISTER be pleased to state:

(a) whether Government are aware of the constraints experienced by the Co-operative Banks in the financing of IRDP;

(b) what measures are being taken to remove impediments in order to increase their participation;

(c) whether details guidelines would be issued to Co-operative Banks in this regard; and

(d) whether any Committee has been set up to go into this problem and if so, what are its findings?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): (a) Yes, Sir.

(b) to (d) National Bank for Agriculture and Rural Development (NABARD) had constituted a Working Group to go into the constraints experienced by the cooperatives in increasing their participation in Integrated Rural Development Programme (IRDP) and recommend measures for removing them in order to promote greater involvement of cooperatives in the programme. Some of the constraints identified by the Working Group are as under;

(i) Beneficiaries are reluctant to borrow from cooperatives because they are required to contribute to the share capital of the cooperative institution to be eligible to borrow from it.

(ii) The security norms followed by Co-operatives are more stringent than those followed by commercial banks and Regional Rural Banks (RRBs).

(iii) Land Development Banks do not generally finance non-farm based activities.

(iv) The rate of interest of ten per cent per annum chargeable on IRDP loans leaves inadequate margin to the co-operatives.

(v) Lack of technical staff and other administrative and organisational deficiencies.

The Working Group has made recommendations relating to delinking contribution to share capital from borrowings, relaxation of security norms, strengthening of staff etc. Instructions have already been issued by NABARD bringing the security norms of cooperative banks at par with commercial banks and RRBs. An action on the rest of these recommendations is to be taken by State Governments. the recommendations of the Working Group have been brought to the notice of the State Governments at the conference of State Secretaries and Minister-in-Charge of Cooperation held on 22nd and 23rd December, 1986 at Delhi.

Supreme Court strictures against LIC

1963. SHRI S. S. AHLUWALIA: Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that recently the Supreme Court has passed strictures against some of the policies issued by the LIC and particularly the non-refund of the amount in the case of lapsed policies and also those issued by the Peerless Company;

(b) if so, what are the precise objections raised by the Supreme Court of India in each of the above two categories of the policies;

(c) whether Government have in the light of the Supreme Court decision initiated measures to rectify the present situation and give adequate benefit to the policy holders and also safeguard their interests; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): (a) to (d) The Supreme Court, in the judgment delivered on 22-1-87, in the matter of Peerless General Finance and Investment Company Ltd., had made observations regarding certain features of the Scheme of the Peerless Company. These, *inter alia*, include the following:—

(1) The deposits made with the Company give a very low yield—six per cent compound or seven per cent simple rate of interest and the deposits are accepted for a longer period;

(2) Advertisements are issued by the Company in beguiling terms;

(3) A high rate of commission is paid to the agents who have social, political and official connections;

(4) The business of the Company is not akin to the business of LIC;

(5) Peculiar system of accounting by the Company where first year's subscription is shared between the Company and agents and is treated as income; and

(6) A high degree of lapsation of certificates after first years subscription.

Government have taken due note of the above for appropriate necessary action in the matter.

In the Judgment, the Supreme Court also animadverted to some of the aspects of the insurance business of the Life Insurance Corporation of India. The main observations made in regard to LIC pertain to lapsation of LIC policies and the existing provisions for forfeiture of premiums under some LIC policies if the policy-holder commits default and does not pay any of the first three premiums. It was observed that since it is the poorer class of policy-holders that may ordinarily be expected to commit default, the forfeiture clause in practice operates harshly against the poor. The Honourable Court suggested that the LIC may consider revision of its terms of policies including introduction of short-term small amount policies with no forfeiture clause, and some incentives such as reduced premiums for continuing to pay premiums regularly.

Government have taken due note of the above observations of the Supreme Court for appropriate necessary action. LIC has since undertaken a special revival campaign for the revival of policies which had lapsed within a period of three years. The highlights of the special revival campaign, which shall remain in force upto March, 31, 1987, include condonation of one-third of the amount of interest on the arrears of premiums required for revival, revival of a policy for a sum assured upto Rs. 50,000 without medical examination where the present age of the life assured does not exceed 45 years. The campaign is expected to benefit many policy holders who could not keep in force their policies for one reason or another after paying their first premiums.

It may be added that the Life Insurance Corporation was not a party to the proceedings before the Supreme Court.

Overdraft by Kerala Government

1964. SHRI GURUDAS DAS GUPTA:

SHRI N. E. BALARAM:

Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that the Kerala Government have been in unauthorised overdraft with the Reserve Bank of India;

(b) if so, the details thereof;